NEWS IN BRIEF

Sells and Fantle named to NACDS board

NEW YORK — Boake A. Sells, chairman and ceo of Revco D.S., and Sheldon W. "Bud" Fantle, chairman and ceo of Dart Drug Stores, were elected to the NACDS board of directors. They are filling the unexpired terms of the late Harry Levin, founder of Happy Harry's in Delaware, and Sidney Dworkin, former Revco chairman. The terms expire April 15, when board elections will be held for three-year terms.

Sells, former president and chief operations officer of Dayton Hudson Corp., joined Revco in October. Fantle, who served as NACDS chairman in 1980-1981 and on the association's board from 1975 to 1987, purchased Dart Drug Stores in November, after resigning his position as chairman of Peoples Drug Stores.

Fay's names four board members

LIVERPOOL, N.Y. — Fay's board of directors has elected four top Fay's Drug officers as members, filling vacancies.

Elected are Lawrence Rose, president and chief operations officer, John Kogut, senior vp-operations, Daniel O'Leary, vp-finance and cfo, and Warren Wolfson, vp-general counsel and secretary.

The assignments fill out a 13-member board, including Chairman Henry Panasci, Jr.

Co-op advertising takes the forefront

NEW YORK — Co-operative advertising will outpace other ad forms in 1988, according to Pinpoint Marketing, Inc., a company that develops cost-shared ad programs involving manufacturers and retailers.

Co-op ad spending will grow 11 percent to $8.88 billion, compared with 8.9 percent growth of all media used in local advertising, according to Arnold Ferber, Pinpoint's president.

An uncertain economy promotes co-op fund use, Ferber argues, and the number of vendors with co-op ad programs should increase to 5,000 this year, compared with 3,500 in 1985.

Florida 5 percent service tax repealed

TALLAHASSEE, Fla. — Responding to massive opposition led by branded goods manufacturers, trade associations, advertising agencies, lawyers, and others, Florida's legislature in December repealed its controversial 5 percent tax on services and advertising. The law makers replaced it with a 1 percent sales tax increase (to 6 percent) effective Jan. 1, 1988.

The service taxes' enactment sparked widespread cancellations of advertising and conventions that threatened the loss of millions of dollars in revenues.

Control Data acquires SAMI/Burke

MINNEAPOLIS — Control Data Corp., the $3.3 billion computer manufacturer, has purchased SAMI/Burke, the Cincinnati-based market research organization, from Time, Inc. Terms called for an initial $60 million cash payment, and additional payouts based on SAMI/Burke's revenue growth.

SAMI/Burke offers a wide range of data bases and market research services, including product tracking, market modeling, and custom surveys.

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Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

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Vol. 10, No. 2 January 18, 1988

No, they weren't young soldiers going to war on bicycles. They're Walgreens delivery boys on Chicago's South Side in 1939, a time when war was already raging in Europe and when some drug chains were still willing to offer a service like delivering prescriptions and sundry merchandise to valued customers. Note the ad in Walgreens' window: A special on electric train sets at $10 each.

60 years of drug store retailing

One of a series of stories, pictures and nostalgia trivia quizzes celebrating Drug Store News' 60th anniversary year.

Grass's Farm Fresh plans will show after February 1

NORFOLK, Va. — Rite Aid chairman Alex Grass and his family can buy up to 10 percent of Farm Fresh common stock or offer to acquire all the company's stock after Feb. 1.

That's the essence of a confidentiality agreement reached Dec. 24 between Farm Fresh and the Grass family. If the Grasses don't choose one of these options, they are barred for two years from increasing their stake above 10 percent of the ownership of the company. As part of the agreement, Farm Fresh furnished the Grasses with confidential information about the company.

The Grass family holds 7.1 percent of Farm Fresh's common stock and indicated in September an interest in a possible acquisition of the 114-store chain, some 44 of whose supermarkets include pharmacies.

The family requested the information to "further assess the situation at Farm Fresh," Grass told *Drug Store News*. "We're examining it."

Alex Grass recently reiterated that the family's interest in Farm Fresh is as a personal investment: "We don't ever see any Rite Aid involvement."

An agreement to provide the confidential data resulted from a Dec. 17 meeting, requested by Farm Fresh chairman David Furman, which Grass, his son Martin, and Furman and other Farm Fresh representatives attended.

At the meeting, Furman told the Grasses that Farm Fresh's board of directors had formed a special committee of independent directors to consider any proposals concerning a "business combination transaction."

He also expressed interest in pursuing discussions about a possible negotiated acquisition that "could include the participation of the company's [Farm Fresh's] management," according to an amendment, filed with the Securities and Exchange Commission Dec. 24, to a 13D SEC filing in September.

On Dec. 29, Farm Fresh closed at $12 on OTC-NASDAQ, up $2.125. At press time on Jan. 5, the company closed at 11¾. Farm Fresh has about 13.4 million shares outstanding.

Cullum buys Safeway DC to consolidate distribution

DALLAS — Cullum Cos. has acquired Safeway Stores' former distribution center in Garland, Texas, marking the end of Safeway's presence in the Dallas market. Purchase price was not disclosed.

The huge, 1.2-million-square-foot center served several hundred Safeways in Dallas, El Paso and other markets, prior to the supermarket chain's departure from Texas. Cullum, parent company of Tom Thumb supermarkets and Page Drug, also purchased 10 former Safeway stores in Dallas last spring when Safeway pulled out of that market, converting them to supermarkets and food/drug combos.

With the purchase, Cullum nearly doubles its warehouse capacity and provides a solid platform for what managers say will be a major expansion drive in future years.

The chain will continue to occupy its current general offices and distribution center in North Dallas, but six satellite warehouses now in use will be phased out and consolidated at the Garland location.

"This consolidation and expansion of our distribution activities will add significantly to the efficiency of our total operation, enabling us to achieve lower costs that will result in lower retail prices," explained Cullum chairman and ceo Jack Evans.

"This former Safeway facility is in excellent condition and is in a prime location that fits our operation very well," Evans added. "The cost is much lower than we could build such a center for today, and it is large enough to serve our needs for a number of years in the future. We believe it will be a catalyst for increased growth."

The center will serve Cullum outlets in north, central and east Texas, as well as supplying food products to Cullum's new Hypermart USA Stores division, a joint venture between Cullum and Wal-Mart Stores.

The first Hypermart opened in December in Garland.

Drug Store News gains two new editors

Drug Store News welcomes two new staffers, Barbara White and Teddi Scrofani, who have joined our editorial team.

Barbara White, the new assistant pharmacy editor of *Inside Pharmacy*, was previously an account executive in the healthcare and biotechnology division of Fleishman-Hillard public relations.

White also worked at the Leukemia Society of America as national editor, internal communications, covering medical issues, after earning a journalism degree at Rutgers University.

White

Scrofani

Teddi Scrofani, desk editor for *Drug Store News* and *Inside Pharmacy*, was most recently a financial rewriter for Moody's Investors Service. She earned a journalism degree from Baruch College CUNY, and has worked as an assistant editor at Citicorp Retail Services.

OTC Buyer Feedback Study

INSIDE PHARMACY

Some buyers unhappy with OTC rep service

Many independent pharmacists are getting shortchanged when it comes to being called on by manufacturer representatives of over-the-counter products during the course of a year.

And, while the majority of chain buyers are satisfied with the number of visits by reps overall, many are not particularly happy with the information being provided with each visit.

An exclusive nationwide Lebhar-Friedman Research study commissioned by *Drug Store News* of OTC buyers at chain and independent drug operations uncovered that a third of the independents polled said they would like more frequent visits from OTC manufacturer reps compared with chains, where only 3 percent of the buyers requested more frequent visits.

Overall, the study showed that 80 percent of the independents are currently seeing OTC reps at an interval of at least twice a year, compared to all the chain buyers reporting they see an OTC rep at least twice a year.

But even though the reps are not making enough visits to satisfy some independents, the majority of independents as well as the chain buyers polled said they wouldn't have it any other way.

The survey revealed that 70 percent of the buyers (73 percent for chains, 67 percent for independents) said that visits from manufacturers' reps were their preference for receiving information for OTC products.

Other methods of receiving information include telemarketing and a combination of visits and telemarketing.

Telemarketing

Next to visits alone, telemarketing was the next most desired means of getting OTC product information. Twenty-three percent of the chain buyers and 20 percent of the independents said they would consider this method of receiving information if visits were not possible. Least desirable for both the chains and independents was the use of telemarketing alone. Only 3 percent of the chain buyers and 10 percent of the independents said this was a desirable method of receiving information.

Many of the buyers interviewed said that "face to face" contact was an important ingredient in doing business with any representative. As one New York chain buyer put it, "I hate telephone calls because they are untimely. . .you can't make good decisions. I like to spend the time and deal face to face."

Another New York chain executive said that there is "no relationship with phone calls. [It] has to be more than a cold phone call. . .a lot of information is needed to order merchandise."

One Louisiana chain buyer said that a combination of telephone calls and personal visits would be best for him.

"The sales people have a lot of information and can help with returns which would be difficult over the phone. But, because I like to know about new products three or four months in advance, I think telemarketing can fill that need."

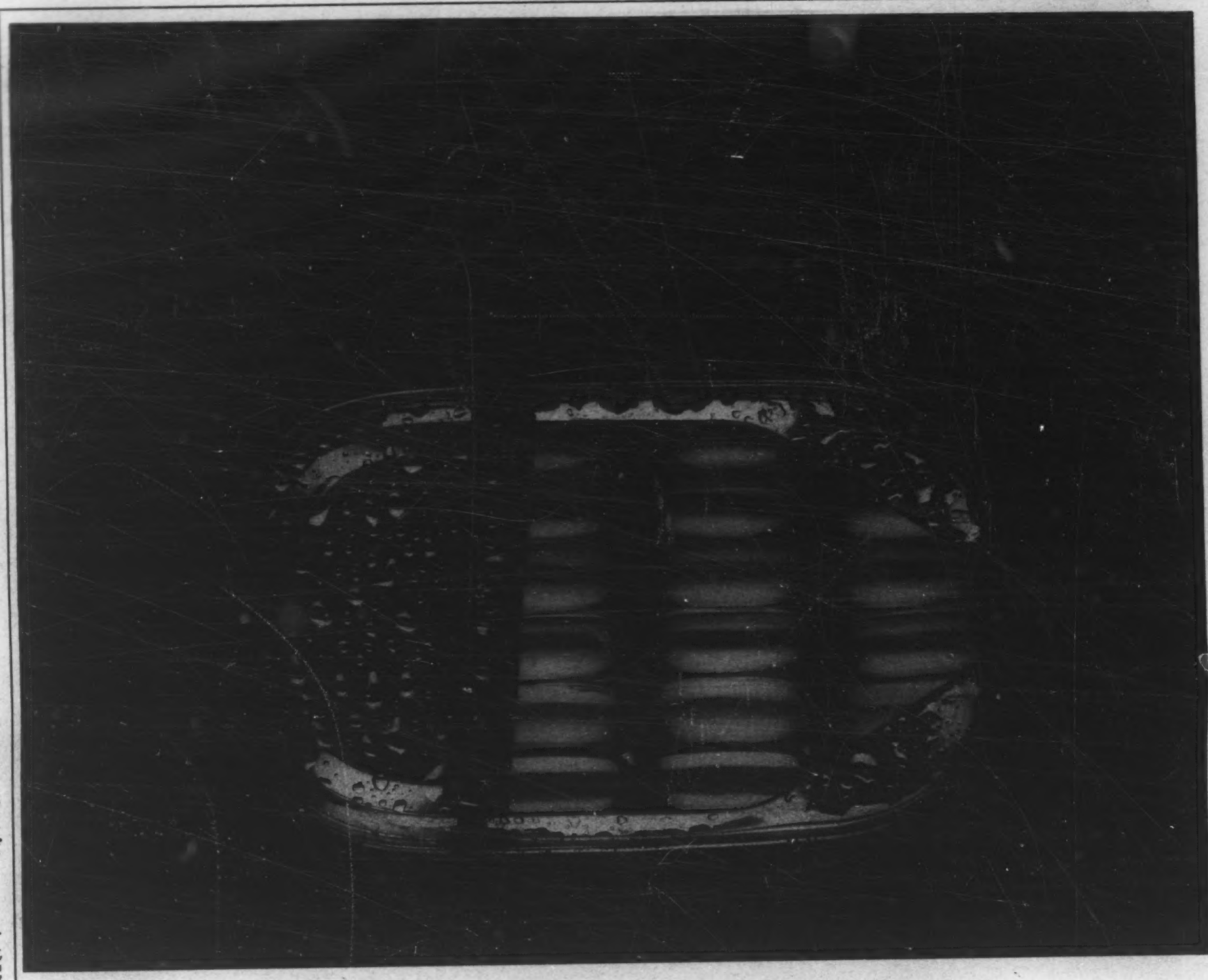
Basically, the buyers summed up the downside of telemarketing by pointing out two major disadvantages. They said that telemarketing was too disruptive, and that telemarketers have very little knowledge of the product they are selling, therefore making it impossible to ask questions. As one N.Y. independent commented "Telemarketers' knowledge of the product is nil. . .they know only what they are told to read to you over the phone."

But one South Dakota buyer said that telemarketing was the best for him. "I don't always have time to talk to reps. Telemarketing is a good alternative."

When it came to ranking services provided by OTC manufacturer reps, there was some disparity between what chain buyers and indepen

Continued on p. IP21

"Every retailer is on the lookout for something like it", H.H., NY
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150
Circle 3 on Reader Service Card



PACKED WITH PROFIT

More pharmacists prefer it.[1] More customers choose it.[2] And no wonder. Unlike other brands, only PROMEGA is cholesterol-free and has the highest percentage concentration of natural omega-3 polyunsaturates, which have been linked to lowered risk of CHD. That's why PROMEGA is the #1 selling brand. And that's why no other fish oil should be substituted for PROMEGA!

1. OTCs retail pharmacists recommend in 50 categories. *Pharm Times*, 1987. 2. Nielsen Marketing Research: Fish oil supplements—consumer sales. Report to Warner-Lambert Consumer Health Products Division on Fish Oil Supplements Through September 1, 1987.

PARKE-DAVIS
Consumer Health Products Group
Leaders in Heart Health Care

PROMEGA™ Natural Fish Oil Concentrate
1000-mg Softgels
More omega-3...cholesterol-free
Also available as 600-mg Pearls

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P1468(12-87)
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OTC Buyer Feedback Study

INSIDE PHARMACY

OTC buyers polled

Continued from p. IP9

dents thought important.

Topping the chain buyers' list of "very important" services provided by OTC product reps was invoice dating (83 percent said this is very important). Some of the other pieces of information buyers considered very important included, in descending order, obtaining information about new products (77 percent), return goods policy and co-op advertising (73 percent), upcoming consumer ad campaigns and promotions and display allowances (63 percent).

For the independents, return goods policy was on the top of their list (87 percent thought this service was very important) followed by obtaining new product info (77 percent) and upcoming consumer ad campaigns and promotions (50 percent).

Low levels of satisfaction

Although the majority of the chain buyers thought invoice dating was the most important piece of information they could get out of a visit with an OTC rep, only a little over a third (36 percent) said they were "very satisfied" with the information they received. The only areas that chain buyers said the OTC reps were doing a particularly good job in was information on consumer rebate programs (considered very important by less than a third of the chain buyers interviewed) and obtaining information about market share (considered very important by 27 percent of the chain buyers).

The story was even worse with the independents. Although 87 percent of the independents interviewed said that return goods was uppermost in their list of very important services, only 19 percent reported they were satisfied with the information they were receiving in that area. Again, like with the chains, the only area the independents reported a satisfactory rating was in obtaining information about market share (considered important by only a 13 percent sample of the independents).

New product intros

When buyers were asked what factors were most important in making a decision whether or not to buy a new product, 87 percent of the chain buyers said off-invoice allowance was most important to them, while 80 percent of the independents cited the availability of the product as their most important decision-making factor.

Some other factors that both considered very important, in descending order, were return goods policy, consumer requests for the product, uniqueness of the product and dollars budgeted for consumer advertising.

Least important to the buyers were the suggested retail price and number of SKUs.

Since an earlier survey conducted by *Drug Store News* revealed that buyers considered condoms as the hottest merchandising category for 1988 *(see Jan. 4 issue)*, in this survey they were asked why they would carry one brand of condoms over another.

More than three-quarters (78 percent) of the buyers (chain and independents combined) said that product quality was top on their list. Some other "very important" factors included consumer requests and the company's return goods policy.

Of least importance in purchasing condoms was number of skus, detailed information about the product and uniqueness of the product.

When the buyers were asked where they merchandise condoms, over half (53 percent) said the pharmacy department. Other areas that condoms were merchandised were in the feminine hygiene section, at the front checkout, in the cosmetics section, family planning, and health (more prevalent in chain stores than independents) and the health and beauty aids section (more prevalent in independents than chains).

Just under two-thirds of the buyers (63 percent) from both chains and independents said they carry most of the major brands and sizes available to give shoppers a variety of selections. A third said they carry at least three to five brands in the major OTC categories, and a very small percentage (three percent) said they only carry the number one and number two brands in most OTC categories.

Pricing strategies

Almost half of the buyers (45 percent) said they stay competitive on pricing with other drug stores in their market. Only 20 percent said they rely on sales and low promotional prices rather than everyday prices to bring shoppers into their stores.

A full service, full price orientation was more common among independents, with almost a third (30 percent) of that group claiming they charge full price for their OTC products compared to only 7 percent of the chains. But more chains than independents rely more on everyday low prices with little or no advertised sales (23 percent, chains; 10 percent, indys).

Half the buyers reported that sales of OTC products have risen approximately 10 percent over the last two years. Only four percent (only independents) reported that prices have decreased over the last two years.

Many buyers attributed higher OTC dollar volume to advertising efforts. While advertising of OTC products was more prevalent at the chains than independents, both said that they were on some kind of advertising schedule for these products.

Sixty percent of the chain buyers said they advertise OTC products once or twice a week, while only 20 percent of the independents said they advertised that frequently. In contrast, 40 percent of the independents said they advertised OTC products once or twice a month, and 37 percent said they advertise less than once a month (compared to 30 percent and 10 percent respectively for the chains).

But advertising wasn't the only factor responsible for higher OTC sales. One Florida independent claimed it was because of the "growing economy and growing community around our store." A New York independent said sales were higher "because of manufacturers' support and consumer product identification."

Other common reasons offered by buyers for higher OTC sales include planogramming, inflation, self-care, and faith in their pharmacists.

Overall, the increase in OTC sales has been reflected by an increase in space allocation in most drugs stores. Sixty-three percent of the chain buyers surveyed said they increased store space allotted to OTC products by nearly 10 percent, while 30 percent of the independents reported the same increases. OTC selling space now averages approximately 21 percent of total space in chain drug stores compared to 27 percent in independent drug stores.

Current and desired frequency of seeing OTC reps

	Total		Chain		Independent	
	Current	Desired	Current	Desired	Current	Desired
More than once a month	32%	30%	37%	40%	27%	20%
Once a month–	40	42	50	44	30	40
Once every 2-6 months	18	23	13	13	23	23
Once every 7-11 months	2	2	—	—	3	3
Once a year	5	2	—	—	10	3
Less than once a year	3	2	—	3	7	—

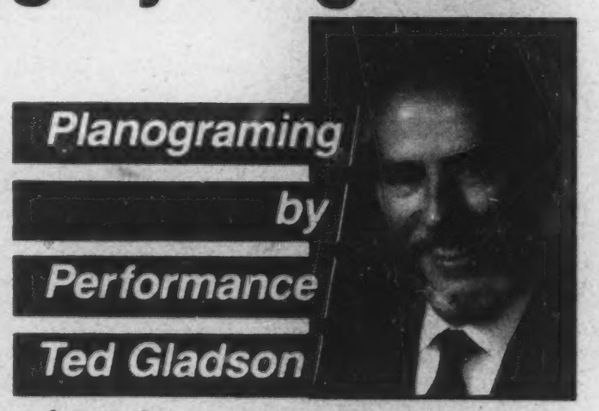
Note: Percentages do not add to 100% due to rounding *Source: Lebhar-Friedman Research*

Buyers rate services offered by OTC representatives

	Percent of respondents rating this service as "very important"		Percent of respondents who are "very satisfied" with this service	
	Chains	Independents	Chains	Independents
Return goods policy	73%	87%	46%	19%
Obtaining information about new products	77	77	35	39
Invoice dating	83	47	36	43
Upcoming consumer advertising campaigns and promotions	63	50	26	40
Co-op advertising	73	30	36	11
Display allowances	63	33	32	20
Obtaining information about product movement	43	37	39	27
Consumer rebate program	30	30	67	44
Display materials	20	33	33	20
Planogramming	27	23	25	14
Obtaining information about market share	27	13	50	50

Source: Lebhar-Friedman Research

AIDS has made condoms a hot category for growth



The condom category was all but forgotten in drug stores for many years. Sales were comparatively slow, condoms weren't advertised in routine promotions, and there was little new product activity.

The impact of AIDS and other sexually-transmitted diseases has made condoms a hot growth segment. Thus, retailers must carefully look over this category in terms of space allocation and the number of SKUs that must be carried.

Manufacturers who weren't in the business until recent times have introduced new products. Among these are Mentor, Today and Koromex. In addition, there are several brands to consider that had limited distribution in drug stores, such as LifeStyles by Ansell and Protex.

This poses a great opportunity for chain drug store operators, who can benefit from efforts by these manufacturers,

Continued on page IP22

This feature on condoms is the latest in the series of Planograming by Performance articles.

The series is written exclusively for Drug Store News *by Ted Gladson, president of Gladson & Associates, a Chicago-based marketing and merchandising company.*

Product placement shown in the photograph on the following page is based on a full year of drug store product movement information supplied exclusively to Drug Store News *by IMS America, Wayne, N.J.*

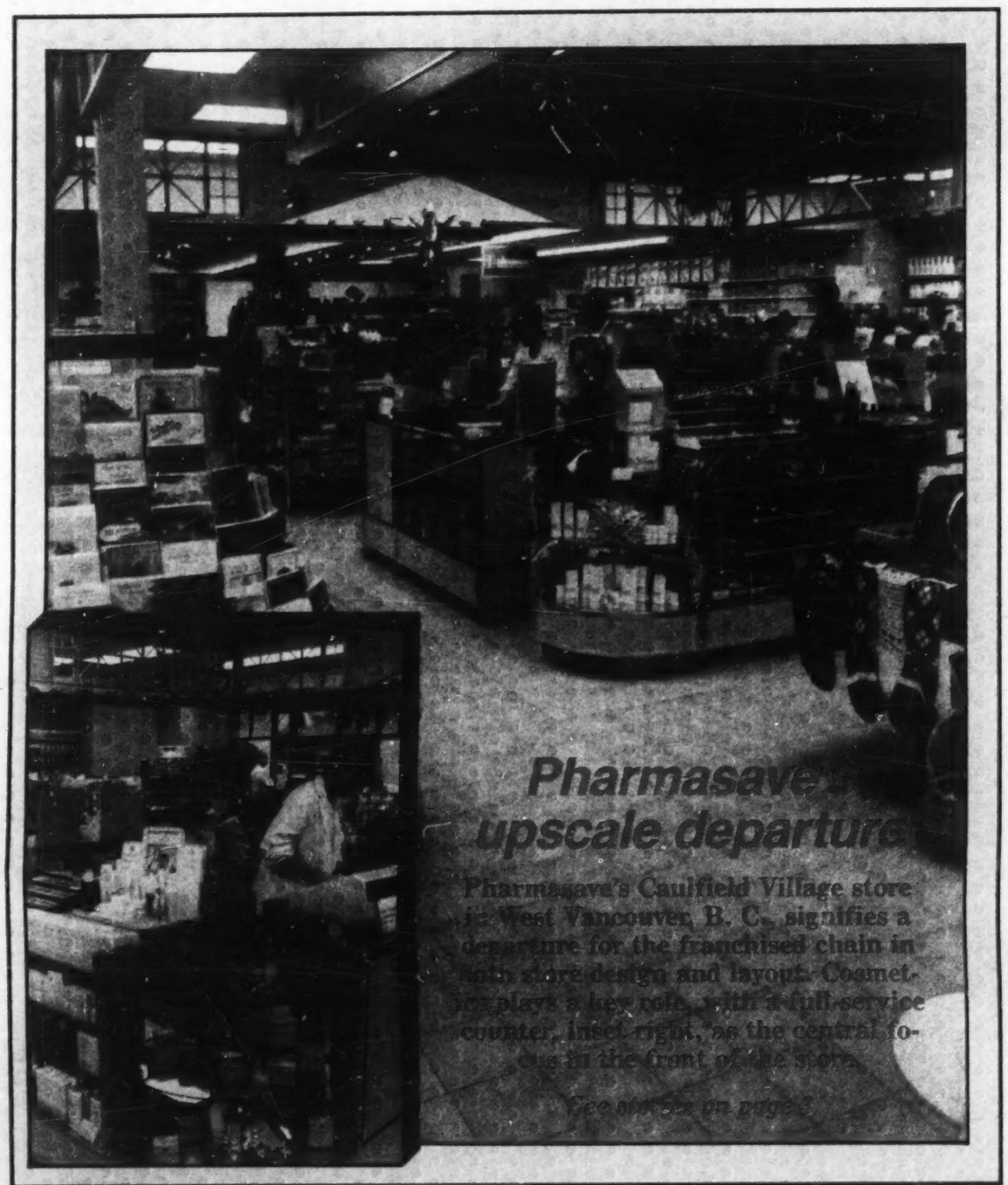
Moisturizers pace skin care segment — Page 11

Rx'er with AIDS fights for his job — Page 35

C. E. Lesson: Vaginal infections — Page 41

DRUG STORE NEWS

Vol. 10/No. 3 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 1, 1988


Pharmasave's
upscale departure
Pharmasave's Caulfield Village store in West Vancouver, B. C., signifies a departure for the franchised chain in both store design and layout. Cosmetics plays a key role, with a full-service counter, inset right, as the central focus in the front of the store.
See stories on page 3

SupeRx bids $12.3M for Begley shares

Plans growth for troubled chain

By Dave Vaczek

PHOENIX — SupeRx Corp. has made a cash tender offer for all of the outstanding common shares of the Begley Co., SupeRx announced.

Through its division, S&B Acquisition Corp., SupeRx offered $18.50 a share, worth $12.3 million if all 665,000 outstanding shares are tendered.

The 51-store chain said it has already lined up agreements to buy about 16.8 percent of shares of the Kentucky drug store and dry cleaning company, including agreements to

See **SupeRx,** *page 45*

Begley at a glance

(Six months ended 9/30/87)

Sales	$36.6 million
Net loss	($275,537)
Drug stores	45
Dry cleaning stores	137
Home health care stores	6

(Twelve months ended 3/31/87)

Sales	$72.97 million
Earnings	$24,120

Source: Company reports

Pay 'n Save is not for sale; will achieve net worth goals

SEATTLE — Pay 'n Save vice chairman and ceo Gerald Nathanson flatly denied published trade press reports that the debt-burdened chain is on the auction block. He said further he hasn't received purchase offers from any parties.

"I have never ever had one moment's conversation with First Pacific Holdings. I have no idea who they are. That's just totally false," Nathanson said, referring to a company that was reported to have a deep interest in the 107-store chain.

He also said that Pay 'n Save wasn't seeking a buyer, as was also reported.

Moreover, Pay 'n Save will beat a

See **Alternate,** *page 45*

Walgreens plans to boost capital spending 30 percent

By James Frederick

CHICAGO — Shrugging off an uncertain economy, Walgreen Co. will maintain its drive to boost market share coast to coast with new stores, expensive new technology and an aggressive store modernization program.

See related story on page 2

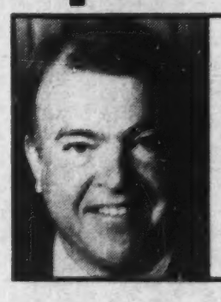
To support those efforts, the nation's most profitable drug chain will boost capital spending 30 percent this year, to $160 million.

At the company's packed annual shareholders' meeting here Jan. 13, chairman and chief executive Charles Walgreen III predicted the chain's blistering growth pace would continue. "We're growing across America," Walgreen told several hundred stockholders. "Our objective is to open 100 stores a year for the foreseeable future, and also pursue good acquisitions—ones that fit our growth strategy and store profile."

Those efforts would extend a three-year expansion program that has seen Walgreens add more than 400 stores—30 percent of its current store base of 1,375 units—and remodel well over 100 units a year. "Over the past five years, we've put over a half-billion dollars in Walgreen Co.," the chairman said.

"Those expenditures, and that store-opening pace, tell

See **Walgreens,** *page* 45



'We're growing across America. Our objective is to open 100 stores a year for the foreseeable future.'

Charles Walgreen III

Walgreen chairman and chief executive

LATE NEWS

- TWINSBURG, Ohio — Revco D.S. has appointed Robert J. Mandelbaum, 53, as vp-third party operations, reporting to Carl Bellini, executive vp of stores. He was director of third party programs at Walgreens. Also, Mo Aziz, 41, was named vp-financial controls.
- CHARLESTOWN, W. Va. — Drug Castle Franchises will enter this market next month with a 30,000-square-foot deep-discount drug store, bringing its store total to 10 franchised units in four scattered states. The chain also recently entered Akron, Ohio and Bayonet Point, Florida.
- RICHMOND, Va.— A sweetened offer by American Home Products for A. H. Robins has apparently won support of both shareholders and Dalkon Shield claimants, making it the offer most likely to be accepted.
- QUINCY, Mass.— At press time, Stop & Shop Cos. was planning its response to Dart Group's stated intention that it will buy a major stake and take over the corporation.

A peek at NACDS' small chain meeting

PHOENIX — The problems of finding and retaining store workers, and the impact of third-party programs, health maintenance organizations and mail order competition dominated conversation among executives attending the recent NACDS Small Chain Conference, held at The Pointe at Squaw Peak Resort Hotel here. This year's stated strategy for many in attendance: raising existing store profitability, instead of expansion.

NACDS and Perry Drug Stores chairman Jack Robinson with NACDS president Ron Ziegler.

Bill Eames, chairman of Bill's Drug, Lafayette, Calif., with Joe Decker, president of Richardson's Pharmacy, Ann Arbor, Mich., at session.

NEWS IN BRIEF

Medicine Shoppe gets larger quarters

ST. LOUIS — To accommodate its rapid growth as the nation's biggest drug store franchisor, Medicine Shoppe International has moved to a new, larger corporate headquarters in office space formerly occupied by Monsanto Co. The move more than doubles the company's headquarters space to 36,000 square feet, and gives the firm the rights to lease the rest of the building for a total of 54,000 square feet.

Medicine Shoppe ended fiscal 1987 with 698 franchised pharmacies, and plans to have 1,000 in operation by 1991. The chain, which opened 57 new outlets last year, achieved net earnings of $4.4 million on sales of $316 million in fiscal 1987. Same-store sales were up a brisk 15 percent.

Owens & Minor seeks listing on NYSE

RICHMOND, Va. — Owens & Minor, the pharmaceuticals and medical/surgical supplier, expects to move its common shares listings to the New York Stock Exchange by early February. The company shares are listed on OTC-NASDAQ under the symbol OBOD.

The company has also elected Hue Thomas III, 48, to the post of vp-distribution. He has served since 1985 as assistant vp, and earlier was vp-medical surgical division and manager of the Atlanta medical/surgical branch.

In addition, Richard Ciofani, 39, vp and cfo, was elected to the additional post of corporate secretary.

In a related announcement, Thomas E. Coulbourn, a 20-year company veteran who served as chief operations officer and most recently senior executive vp and a director, has resigned to pursue other opportunities.

Maxidrug names Kirk to replace Neville

WEST SPRINGFIELD, Mass. — Maxidrug, the U. S. division of Canada's Jean Coutu Group, has named Matthew Kirk as director of merchandising, according to Maxidrug president Michel Coutu.

Kirk was formerly a merchandising executive with Heartland Drug, a deep-discount operation now owned by CVS. At Maxidrug, he replaces George Neville, who left last summer.

"He will be a big plus for our company," Coutu said, citing his 19 years of experience in a deep-discount environment. "He knows that type of organization. Deep discounters are more aggressive and demand more entrepreneurial behavior," Coutu said, indicating that Maxidrug will become "more aggressive."

Harry Evans, Bartell Drug vet, dies Dec.17

SEATTLE — Harry Evans, a 27-year veteran of Bartell Drug, died suddenly Dec. 17. He was a buyer of promotional and seasonal merchandise, and supervised the chain's photofinishing efforts.

Senior vp Val B. Storrs called Evans "responsible for many new and innovative programs which helped our company grow and prosper."

Pay Less NW targets Kent, Wash., site

KENT, Wash. — Pay Less NW has signed a lease to open a 23,707-square-foot store here, with a Super Safeway as a co-anchor. Population here is expected to grow by 75 percent by the year 2000, predominantly in family households.

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Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus an extra Annual Pharmacists Guide to Rx/OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

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Vol. 10, No. 3 Feb. 1, 1988

Walgreens' earnings jump buoys its bullish outlook

CHICAGO — Walgreen Co. officials had something to celebrate at the annual meeting of shareholders here last month: a 42 percent jump in net earnings during the first quarter of fiscal 1988. The rebound in profits—after a year in which results were flattened by heavy expenditures and other factors—underscored a bullish assessment of the chain's future by chairman Charles Walgreen and president Fred Canning.

Net earnings for the quarter ended Nov. 30, 1987, reached a record $18.8 million, compared with year-ago earnings of $13.2 million. Sales were up 16.1 percent from last year's first quarter, to a record $1.11 billion.

Nevertheless, Walgreen told shareholders, "Our enthusiasm with that increase is tempered by the fact that these earnings got a big boost from lower income taxes this quarter. Plus, they also enjoyed a comparison with fiscal 1987's first quarter, which had to absorb Medi Mart start-up and renovation costs and the negative impact of the new tax law.

"So while we expect a good year in 1988, we're neither satisfied nor complacent about that 42 percent earnings increase," Walgreen continued. "We have plenty of challenges before us, including that of keeping profits up while increasing our promotional programs and sharpening our pricing strategies."

The chairman added that he tended to agree with a retail analyst, "when he said Walgreens will have the wind more in our face than at our back in the years ahead."

Despite continuing competitive challenges, a skittish economy and a 42 percent slide in the company's stock price last October, Walgreen presented an optimistic view of the firm's future. He also hinted that the company's price per share in the wake of Wall Street's crash was undervalued.

"Certainly the stock market has everyone a bit edgy. But overall, I think the signs are still bullish, especially for our kind of very basic retailing," he noted. "We've had four recessions since 1969. And Walgreens has outperformed both retailers in general—and our industry—in all four of them.

"Frankly, if the economy falters, I'd rather be selling Maalox and aspirin than fur coats and automobiles."

Walgreen based his optimism on several factors, including the aging of the population, the rising number of working women, the maturing of the baby boomers and the new baby boomlet. He also predicted new growth opportunities in efforts to market to the rapidly growing numbers of black, Hispanic and Asian consumers, all of whom the chain has made special efforts to reach.

"The point for retailers is: this country is not static or homogenized," he said. "It's changing constantly, continually providing new opportunities for the alert, aggressive merchandiser."

Another positive for Walgreens, its chairman said, was its strong presence in rapidly growing sunbelt markets like Florida and Arizona, and in resurgent older cities like St. Louis and Milwaukee. "Over the past 10 years, we've added 108 stores in the Sunshine State, where seven of our top 30 markets are located, and 30 stores in Arizona," Walgreen said. "We presently have 50 new locations under consideration in Florida, and 15 approved locations for Phoenix and Tucson. And let's not overlook the renewal going on in our older cities. . . we're there, too."

The Medi Mart acquisition, meanwhile, is "starting to pay off," Walgreen told stockholders. Some converted units are showing sales increases of 30 percent this year, he said, and at least 13 new stores are on the drawing board for northeastern markets. Among approved locations are five in New York, three each in New Jersey and Massachussets, and one each in Connecticut and New Hampshire.

"I'm pleased to report that sales in all five Northeast markets are running very strong, and will show solid improvement this year," he said.

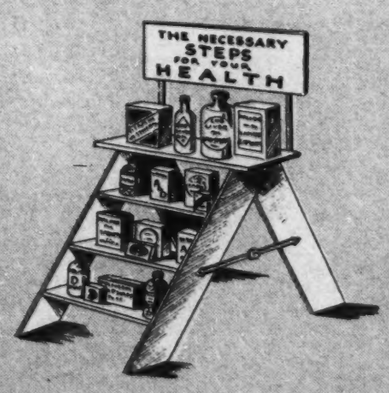
Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

NEW YORK CITY, 1928 — The drug store as a center of art and literature was emphasized last week in a series of displays that appeared in many of the Liggett stores in New York and nearby cities. One feature of the series was a window devoted to popular fiction. Shelves were built into the window, and set in neat rows were a large number of books of all types to serve the literary taste of most any kind of reader. A large sign stated that this great variety of books was being offered at the special sale price of 75 cents each item.

50 years ago



JAMAICA, N. Y., 1938 — Vitamin products were effectively displayed at the Whelan drug store, 159-29 Jamaica Ave., Jamaica, N. Y., where William Perrella is manager. A small stepladder was placed on the drug counter. Across its steps various vitamins were displayed. Above the ladder was a sign which read, "The necessary steps for your health."

40 years ago

PENSACOLA, Fla., 1948 — A drug order in the amount of $1,800, believed to have been one of the largest ever sold over a drug store counter at one time, was given at a Walgreen Drug store by a customer in Pensacola, Fla.

The customer, doctor of an Italian merchant ship in port in Pensacola, more than bought out the store's entire stocks of penicillin, streptomycin and insulin. In addition, the magnitude of this order required the assistant store manager to telephone his New Orleans supplier for sufficient quantities to complete the purchase.

Within six hours, the order was delivered at the ship's dock to the physician, who was greatly pleased with Walgreen's "quick American service."

30 years ago

NEW ORLEANS, 1958 — For a few days in February, K&B. . .saw a drop in office efficiency, which we were told had nothing to do with the Mardi Gras, but rather with the first meaningful snow in over a generation. More time, we were told, was spent at windows than at desks.

20 years ago

WASHINGTON, 1968 — Peoples Drug in Washington, D. C., has begun to place micro-ovens in its fountains in an effort to speed stool turn, cut down on labor and standardize the portions served. The micro-oven works on a principle of ultra-sonic waves to heat the food. All the cook has to do is place the item in the oven and push a color-coded button. Items will be prepared within 120 seconds. Only the food is heated and the plate is left at room temperature. The portions are prepared at the commissary and shipped frozen to the stores.

10 years ago

CLEVELAND, 1978 — Revco D. S. will be opening its 1,000th store on Feb. 25 in Cleveland, Ohio. The 13,300-sq.-ft. unit is considerably larger than the chain's normal 8,400-sq.-ft. prototype, and it features a wider assortment of sundries. Television entertainer Danny Thomas will be on hand to cut the opening ribbon, after which he will place the first of 1,000 St. Jude cannisters which will be in all Revco stores for three months.

TRENDS

Anti-agers, light moisturizers pace skin care sales

According to buyers and merchandisers in chain drug stores, the skin treatment category generated flat to moderate growth in 1987, depending on the chain and market.

Some buyers said they averaged about a 5 percent to 7 percent increase in skin treatment sales in 1987. However, the majority say the category was flat or down slightly in their stores and only a few buyers report strong growth of about 15 percent.

Most buyers still report having a difficult job getting skin treatment to reach what they consider its "reasonably strong potential" in mass market drug stores.

Those who said their growth is either flat or marginal said it is because the franchised skin treatment lines need to be better "presold" by manufacturers like Revlon, Max Factor, Almay and Coty.

This was a particularly strong point from buyers whose stores don't have clerks who can help service customers interested in skin treatment regimes.

The chains that report a better growth pattern either have cosmeticians in their stores like Begley, Austin and Harco Drug or they have just finished resetting their skin care section, along with advertising skin treatment products more such as Perry Drug and Begley.

Across the country, most buyers are reporting strong surges in particular lines and brands, especially for the more upscale basic skin care lines like Lubriderm, Keri, Nivea and Neutrogena, as well as for many of the franchised lines including Almay, Revlon's new Anti-Aging Eye Gel, Revlon's Moon Drops and to a lesser degree, European Collagen, Coty's Overnight Success and Allercreme's treatment products.

Women's concerns about skin dryness, aging lines, and sun damage are creating new sales opportunities for drug stores and other convenience-oriented mass retailers. Growth segments are light facial moisturizers and anti-aging lotions.

Franchised treatments buyers are also very optimistic about Max Factor's Erace and Almay's new Stress Cream and Stress Gel, both now just entering the market.

Drug Store News will report in more depth about franchised treatments in the March 14th issue.

In the basic skin care departments which usually command between 12 and 16 feet in the toiletries sections of most chain drug stores, the growth seems to be coming from what buyers describe as their prestige or upscale brands, especially Lubriderm, Jergens and Keri and to a lesser extent, Curel.

In some sections of the country, buyers report that sales for Oil of Olay, the facial moisturizer with the dominant share of mass market retail category sales are off or down due to the introduction of new products and new brands like Neutrogena's Visage and Swedish Secret as well as to dramatic growth in the Lubriderm line.

Some buyers are also speculating that the price points on Oil of Olay may be too high now that there are so many competitive products entering the market. One buyer points out that Olay's popular 4-

Continued on page 16

Special projects editor Elizabeth Parks researched and wrote this issue's Trends *sections on skin care and sun care products.*

New Product Launch Chart: Skin Care

Manufacturer	Brand	Quarter of Launch Date	Comments
	Anti-aging Lotions, Face Smoothers and Eye Creams		
Aziza	Aziza Eye Art: Conditioning Lash Primer and Retouch Cream Concealer with SPF 2	2nd '88	Two new eye care treatments; line extensions in relaunch of Aziza Eye Art line
Key West Aloe	Eyemoist	1st '88	Eye skin moisturizer to minimize wrinkling
Noxell	Cover Girl	1st '88	Line extensions: Replenishing Eye Cream, Invisible Line Eye Cream, Extremely Gentle Oil-Free Remover Pads, Clean Eyes Conditioning Eye Makeup Remover
Max Factor	Erase Line Filler	1st '88	Fills in lines and conceals wrinkles to make skin look younger and smoother, four shades, SRP of $8.50
	Instant Eye Make-Up Remover Stick	1st '88	First remover in stick form
	Hypo-Allergenic Eye Make-Up Remover Pads	1st '88	For sensitive eyes
Almay	Stress Cream and Stress Eye Gel	1st '88	Eases away tightness, fine lines and surface signs of tension caused by dehydration
Scotia Serum Corp.	Silk Serum 2-ounce wrinkle cream; 4-ounce body lotion	in test	Diminishes the appearance of aging and makes skin smoother and younger looking
Freeman	Fabulous Eyes Moisturizing emollient; Make Up Remover Gel	4th '87	Reduces puffiness, bag and circles around the eyes
Revlon	Anti-Aging Firming Eye Gel	4th '87	Retexturizes the skin and reduces signs of aging
Neutrogena	Neutrogena Eye Cream	3rd '87	Neutrogena's first treatment specific product for the face: minimizes and smooths away fine lines
Coty	Overnight Success Instant Face Smoother and Refining Cream	3rd '87	Smooths and rejuvenates
	Gentle Eye Make-Up Remover	3rd '87	Gentle, leaves no oily residue
Chattem	Cornsilk Oil-Absorbent Concealer	4th '87	Line extension
	Franchised Treatments		
Colgate	Lournay	1st '88	Major launch: seven SKU line for sensitive skin at moderate prices

Manufacturer	Brand	Quarter of Launch Date	Comments
	Mass Prestige Treatments		
Freeman	Sea Mist	4th '87	Treatment line to moisturize and revitalize the skin. Also includes products for hair and bath
Allure	Motown	3rd '87	Skin care and cosmetics line
	Moisturizing Lotions, Creams and Cleansers		
Chesebrough-Ponds	Vaseline Intensive Care	1st '88	Line extension: menthol and zincoxide formula for sensitive skin
Rich-Vicks	Wondra	1st '88	Repackaging and restaging plus line extensions; New Deep Moisture Care in two formulas
S. C. Johnson	Curel Fragrance Free for Sensitive Skin	1st '88	Line extension
	Soft Sense Body Mousse	2nd '87	Line extension
Westwood	Moisturel Cream	1st '88	Line extension
	Alpha Keri Moisturizing Spray	1st '88	Non-aerosol version of Keri Oil
3M	Buf-Puf Daily Cleanser with Microbead Capsules	1st '88	Line's first cleanser. Beads condition as they deep-clean; cream and gel formulas
General Therapeutics	Queen Helene trial-size lotions	1st '88	Line extension
Beiersdorf	Nivea Visage	3rd '87	Facial moisturizing lotion and cream
Neutrogena	Norwegian Formula Emulsion	3rd '87	Line extension
Wellington Laboratories	T'rific for Teens and T'rific for Tots	1st '88	Pure and natural skin care lines for 9- to 17-year-olds and babies Through 8 years
	Acne and Other Treatments		
Glenbrook	Stri-Dex Big Pads	2nd '88	Line extension
Neutrogena	Extra Mild Acne Skin Cleanser	4th '87	Line extension
Almay	Touch-On Blemish Treatment	4th '87	Almay's first anti-blemish treatment product
	Bath Products		
Beirersdorf	Nivea Bath Silk	in test	Three SKUs: gels and bath oils
Colonia	4711 Ritual du Bain	3rd '87	"Premium" line of bath and body products. Extension of 195-year-old 4711 cologne line

Source: *Drug Store News* survey

Sun Care

TRENDS

Sun care product sales still shine on drug chains

The majority of drug chains are still reporting strong growth in the sun care category.

Most buyers still say their strongest growth is coming from the higher SPF products, generally those with SPFs of 15 and more.

However, buyers also say their tanning products continue to sell well and continue to represent the biggest segment of the sun care market.

In 1987, many drug chain sun care buyers began thinking of, or actually implementing, permanent year-round displays for the faster moving sun care brands.

Buyers say they think a permanent year-round display for sun care is justified by a number of factors, including increased health concerns about possible sun damage and aging, and the fact that people travel more today as well as ski, and they need protection and tanning products to help them cope with their new mobility.

In Alabama where there is a strong market for sun care products, sun care buyer Penny Wade reports excellent growth in category sales last season. She estimates total category sales were up 10 to 15 percent while high SPF product sales were up even more dramatically.

Wade says Harco has traditionally merchandised sun care in the center seasonal aisle, in floor displays and on endcaps during the peak selling season, but now she is thinking of using at least one endcap for permanent year round distribution of select major sun care brands.

With people travelling more than ever, many buyers are turning to year-round displays of sun protection products.

"Sun, and in fact all skin products, are very much a growth factor in the South," said Wade. "People in the South are much more sensitive to skin damage and to the fact that the sun is drying out their skin."

This year, Wade is also thinking of setting up a prepack display of Eclipse's Cancer Garde near the Harco pharmacies.

"Our pharmacists are very alert to the dangers of sun damage," she said. "Also, Eclipse has done a good job of detailing the dermatologists and the physicians in our area, and as a result, our pharmacists get a lot of calls from patients for Cancer Garde.

"Last year, Wade said, "we had trouble getting Cancer Garde in our stores for the peak selling season, but I was astonished when I walked into some of our stores and found the individual pharmacists had taken the initiative and gotten some Cancer Garde from wholesalers, and they were displaying it right in the pharmacy.

"This year, I'll probably order the entire Eclipse line and I'll recommended we merchandise it at the pharmacy."

Wade says Harco will also feature the entire Eclipse line including their new Child Garde in their Memorial Day ads.

Harco has a section in their ads which is called "Harco Pharmacists Recommend." In each ad, that section features a particular seasonal product recommendation.

"We'll run Cancer Garde early," said Wade, "so people who want to tan can start off by building up to a safe tan and people who want to avoid the sun can have an idea of what's right to buy."

In addition to Cancer Garde, Wade says she also did exceptionally well last year with Coppertone's Water Babies and with the extra Bain de Soleil line.

A novelty item called Banana Boats also sold well in Harco stores as did the colorized zinc oxides.

Wade, however, was careful about how she ordered the zincs and she says that helped her sell-throughs.

"We have about 10 stores in beach areas on the Gulf and we ordered a lot for those stores, and it all sold through fabulously. But I ordered much lighter for the rest of our stores, and I think that's why we had a good sell-through."

One of Wade's major priorities for 1988 is to weed out slow turners and "duplications" in the sun care category.

"The category doesn't need so many SPF's," Wade says. "I get confused and so do my shoppers. What is the difference between an SPF of 22 and an SPF of 25? Do I need a 22 in my store when I have a 25? Given the choice between a 15 and a 22, I think most shoppers will buy a 22. Given the choice between a 22 and a 25, they'll buy 25.

"But at what point is enough enough? Do people really need a 35 if that means you have to stay out in the sun 35 times more than normal before your skin burns? Who's going to stay out that long?"

Wade says she will probably stock all of the new major brand high SPF's now in the market, but she may cut back on her selection of zero to low SPF's and especially on any SKU that doesn't turn well.

The tan accelerator category has also slowed down for Harco. "People who bought them, I think," Wade said, "were looking for a miracle and it just didn't happen.

Continued on page 18

New Product Launch Chart: Sun Care

Manufacturer	Brand	Quarter of launch date	Comments
Max Factor	Sun Smart	2nd '88	New facial cosmetic line with SPF 6
Rich-Vicks	Bain de Soleil	1st '88	Spray Tanning Lotions, SPF 2 & 4; Supreme Sun Block Creme SPF 30
Carme	Mill Creek	1st '88	Tanning Accelerator and Mineral Water Aloe Vera Spray
Chattem	Bullfrog	1st '88	Line extensions: SPF 9, SPF 36, plus 2-ounce size of original SPF 18
Plough	Super Shade Coppertone	1st '88	Line extension: SPF 30-Plus, "all-day protection". First SPF product to use a range rather than a single number to identify degree of protection
	Tropical Blend 4-Hour Lotion with SPF 15	1st '88	Line extension
	Coppertone Sunless Tanning Lotion	1st '88	New segment: Gives color without sun exposure
	Water Babies SPF 25	1st '88	Line extension
	Water Babies Swimmers Ear Prevention Formula	1st '88	Line extension
	Solarcaine Pure Aloe Formula	1st '88	Line extension
	Coppertone Natural Tan Accelerator Sunscreen	in test	Combination tan accelerator and sunscreen to give "maximum tan with minimum exposure"
Tanning Research	Hawaiian Tropic	1st '88	New packaging for SPFs 6-30
	Hawaiian Tropic Swim & Sun Collection	1st '88	Brands for sun protection
	Ozone Sunblocks	1st '88	Brands for sun protection
	Baby Faces & Tender Places	1st '88	Reformulated, PABA-free
	Hawaiian Tropic 15-Plus Sunblock Lotion	1st '88	Line extension
	Hawaiian Tropic Sunscreen Lotion SPF 10	1st '88	Line extension
	Hawaiian Tropic Aloe PABA Sunscreen Cream	1st '88	Line extension
	Hawaiian Tropic Protective Tanning Lotion	1st '88	Line extension
	Hawaiian Tropic Protective Tanning Dry Oil	1st '88	Line extension
Westwood	Presun for Kids SPF 29	1st '88	Line extension
Manhattan Ice	Le Zinc	1st '88	Line extension: Sunscreen lotions; "Sorbet" color collection Lip Zincs
TI Pharmaceuticals	TI-Screen 30-Plus Moisturizing Lotion	1st '88	Line extension
Beiersdorf	Nivea Sun SPF 25	4th '87	Line extension
Key West Aloe	Sunsorb	4th '87	Reformulated, SPF 22
	Grab-A-Tan	4th '87	Line extensions: SPF 6 & 10 creams, SPF 4 lotion
Eclipse Labs	Child Garde SPF 20 & 30	4th '87	Extension of Cancer Garde line
	Eclipse PABA SPF 25 lotion	4th '87	Line extension
	Cancer Garde	4th '87	Line extension
	Solar Block for sun-sensitive areas		
Bonne Bell	Team Colors	3rd '87	Line extension: zinc oxides in football team colors
Neutrogena	Sun Screen SPF 0 to 25	3rd '87	Neutrogena's first sun care product
California Sun	Sun Sponge	3rd '87	Suncare liquid-filled sponge for convenient applications
Sunhopper, Inc.	Sunhopper Suntan Oil Towelettes SPF 5 & 15	3rd '87	Individually-wrapped towelettes filled with filled with suntan oil
Allure Cosmetics	Allure Tan	3rd '87	New line of tanning and protection products
Sun Labs Int'l	Banana Boat Waterproof Lotions	3rd '87	Line extension
Caribe Suncare	Gorilla Grease SPF 18	3rd '87	Waterproof sunblock
	Caribe lotions	3rd '87	Line extension of seven new SKUs: Lip Screen SPF 25, Super Aqua Screen SPF 25, Sports Screen, Protective Dark Tanning Oil SPF 8, Pool 'n Sea Shampoo, Baby Screen SPF 20, Face Screen SPF 18

Source: *Drug Store News* survey